

**AGREEMENT FOR THE SALE AND
PURCHASE OF ROYALTY OIL
BETWEEN
THE STATE OF ALASKA
AND
WILLIAMS ALASKA PETROLEUM, INC.**

1. PARTIES. This Agreement is between the State of Alaska ("State") and Williams Alaska Petroleum Inc. ("Williams"). The date of this Agreement for reference purposes is December 29, 2003.

2. RECITALS. This Agreement is made with reference to the following facts:

2.1 The parties to this Agreement are the current parties to a contract entitled AGREEMENT FOR THE SALE AND PURCHASE OF STATE ROYALTY OIL TO MAPCO ALASKA PETROLEUM, INC. dated March 6, 1998 ("1998 Agreement"), which is attached to this Agreement as Exhibit A.

2.2 The 1998 Agreement authorizes Williams to purchase Royalty Oil for processing at Williams' refinery at North Pole, Alaska ("North Pole Refinery") in a quantity elected by Williams through a monthly nomination to the State.

2.3 The 1998 Agreement terminates at the end of the day on December 31, 2003.

2.4 The parties to this Agreement are also current parties to a contract entitled AGREEMENT FOR THE SALE AND PURCHASE OF ROYALTY OIL BETWEEN

THE STATE OF ALASKA AND WILLIAMS ALASKA PETROLEUM, INC. dated October 1, 2003 ("October 2003 Agreement"). The October 2003 Agreement authorizes Williams to continue to purchase Royalty Oil for processing at the North Pole Refinery through March 31, 2004.

2.5 Williams is currently engaged in negotiations for sale of the North Pole Refinery to Flint Hills Resources Alaska, L.L.C. ("FHR"). The State is negotiating with FHR for a multi-year sale of Royalty Oil to FHR for use in the North Pole Refinery if FHR buys the refinery from Williams

2.6 The Alaska statutes require legislative approval of a multi-year contract for sale of State Royalty Oil. Legislation approving the State's sale of Royalty Oil to FHR is not likely to be enacted prior to the end of February 2004.

2.7 Provisions of the Royalty Settlement Agreements require that the State nominate the monthly quantity of Royalty Oil that the State elects to take in-kind no later than 90 days prior to the month of delivery for which the nomination is made. The State's Royalty Oil nominations for the month of April 2004, must be made no later than January 1, 2004.

2.8 Williams' proposed sale of the North Pole Refinery to FHR will not be completed prior to the January 1, 2004, deadline for the State's nomination of Royalty Oil for delivery in the month of April 2004. Williams' sale of the North Pole Refinery, which is contingent on enactment of legislation approving a multi-year contract for sale of Royalty Oil between the State and FHR, may not be completed and effective for several months after the present date. The State and Williams acknowledge a mutual interest in ensuring that the North Pole Refinery continue to receive Royalty Oil necessary for uninterrupted operations pending the completion of the sale of the refinery.

2.9 The Commissioner has determined that market conditions and the best interests of the State require that the State execute this contract for sale of Royalty Oil with Williams to ensure the continued operation of the North Pole Refinery.

3. INCORPORATION OF 1998 AGREEMENT. All terms and conditions of the 1998 Agreement are incorporated into and shall serve as the terms and conditions of this Agreement, subject to the express modifications set out in Sections 1, 2, 4, 5, 6, and 7 of this Agreement. In the case of conflict or ambiguity between the terms of this Agreement and the terms of the 1998 Agreement, the provisions of this Agreement shall control.

3.1 Section 2.4 of the 1998 Agreement is deleted and of no application to this Agreement.

4. TERM. The State shall begin deliveries of Sale Oil under this Agreement on April 1, 2004. This Agreement shall terminate on the earlier of: (1) the end of the day on September 30, 2004; or (2) the effective date of the transfer of title to the North Pole Refinery from Williams to a non-affiliated purchaser. All of Williams' obligations under this Agreement survive termination including, without limitation, the obligation to take and pay for all Sale Oil nominated before termination for delivery after termination and the obligation to maintain an irrevocable letter of credit as required by the 1998 Agreement.

5. ASSIGNMENT. No assignment, pledge or encumbrance of this Agreement shall be effective without prior written consent of the other party. In the event that this Agreement is terminated based upon the sale of the North Pole Refinery by Williams, the Commissioner may release Williams from its continuing obligations arising from Williams' outstanding nominations for Sale Oil provided that the refinery purchaser agrees to accept the

assigned Sale Oil subject to all terms and conditions, including price, of any contract for purchase and sale of State Royalty Oil in effect between the State and refinery purchaser on the dates of delivery of the Sale Oil.

6. SALE OIL QUANTITY.

6.1 The State agrees to sell to Williams, and Williams agrees to purchase from the State, a maximum of 77,000 barrels per day and a minimum of 56,000 barrels per day averaged for the Month of Sale Oil delivery. The amount of Sale Oil for the Month shall not exceed 95 percent of the Royalty Oil for the Month.

6.2. Williams shall nominate to the State their total monthly Sale Oil quantity calculated in accordance with the terms of Section 6.1 in a separate written notice of each monthly nomination. The State will make its best efforts to nominate percentages of the State's estimated Royalty Oil volume at the State's discretion, that will equal the total daily volume of Royalty Oil nominated by the Buyer. Notwithstanding 6.1, the Buyer agrees to accept the volume of Royalty Oil delivered in accordance with the State's nomination. See Appendix B for an illustration of the State's nomination procedure for Sale Oil nominated from the Prudhoe Bay Unit for May 2003.

6.3 In the event that Williams nominates a quantity of Royalty Oil that surpasses the percentage limitations set out in Section 6.1 of this Agreement, the State may, in the State's sole discretion, nominate and tender State royalty oil from one or more Alaska North Slope production units other than the Prudhoe Bay Unit ("Supplemental Oil") in order to more nearly satisfy a Williams' nomination that surpasses 95 per cent of the State's Royalty Oil from the Prudhoe Bay Unit. Williams shall make all arrangements for transportation of Supplemental

Oil through all pipelines upstream from Pump Station No. 1. The price of the Supplemental Oil shall be an amount equal to the per barrel value the State would have received that month for its royalty oil from the production unit that is the source of the Supplemental Oil had the State taken its royalty in-value rather than in-kind, plus \$.15 per barrel.

7. COUNTERPARTS. This Agreement may be executed in multiple counterparts. It is not necessary for the parties to sign the same counterpart. Each duly executed counterpart shall be deemed to be an original and all executed counterparts taken together shall be considered to be one and the same instrument.

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SIGNATURES

the State:

THE STATE OF ALASKA

<Thomas E. Irwin>

Commissioner
Department of Natural Resources

Date: December 29, 2003

Williams Alaska Petroleum Inc.:

WILLIAMS ALASKA PETROLEUM Inc.

By: <Diane Prier>

Its: President

Date: December 29, 2003

ACKNOWLEDGMENT

State of Alaska)
)
Third Judicial District) ss.

THIS IS TO CERTIFY that on the _____ day of _____, 1998, before me, appeared Tom Irwin, the commissioner, Department of Natural Resources, State of Alaska; that Tom Irwin executed that document under legal authority and with knowledge of its contents; and that this act was performed freely and voluntarily upon the premises and for the purposes stated in the document.

Witness my hand and official seal the day and year in this agreement first above written.

Notary Public in and for Alaska
My commission expires:

ACKNOWLEDGMENT

THIS IS TO CERTIFY that on the _____ day of _____, 1998, before me, appeared _____ of Williams Alaska Petroleum Inc., Anchorage, Alaska; that _____ executed that document under legal authority and with knowledge of its contents; and that this act was performed freely and voluntarily upon the premises and for the purposes stated in the document.

Witness my hand and official seal the day and year in this agreement first above written.

Notary Public in and for Alaska
My commission expires:

APPENDIX A

**AGREEMENT FOR THE SALE AND PURCHASE OF STATE ROYALTY OIL
TO MAPCO ALASKA PETROLEUM, INC.**

Dated March 6, 1998

APPENDIX B

Nomination Procedure Example Based on May 2003 Production Month

	PBU IPA & Satellites	Greater Pt McIntyre Area	Total
January 15, 2003			
State receives preliminary pbd production forecasts from operator	456,000	63,200	519,200
January 21, 2003			
RIK Purchaser notifies State of monthly bpd nomination			56,362
January 30, 2003			
State computes RIK %			
Estimated Royalty rates	12.50%	13.34%	
Total State estimated royalty bpd (bpd x royalty rate)	57,000	8,431	65,431
State's RIK Nomination (Purchaser RIK bpd/estimated royalty bpd)			86.14%
January 30, 2003			
State Notifies Operator of RIK Nomination ^a	86.14%	86.14%	86.14%
March 26, 2003			
Operator Notifies State of updated forecast for PS#1 deliveries in May	441,752	62,600	504,352
State calculates RIK bpd			
Royalty rates based on final estimates ^b	12.50%	13.391158%	
Purchasing %	86.14%	86.14%	
RIK bpd (PS#1 deliveries x Royalty % x Purchasing%)	47,566	7,221	
March 31, 2003			
State notifies RIK Purchaser of forecasted bpd volume available in May	47,566	7,221	54,787
June 2, 2003			
State Invoices RIK Purchaser for May production			
Alyeska Meter Volume May 1-31, 2003	14,392,425	2,045,163	16,437,588
Purchasing %	86.14%	86.14%	86.14%
Royalty Rate	12.50%	13.391158%	
Total RIK bbls	1,549,704.36	235,912.49	1,785,616.85
bpd volume (Total RIK/31)	49,990.46	7,610.08	57,600.54

Table Notes:

^a The state determines from which units to nominate RIK volumes (see section 2.1.2, above).

^b The estimated royalty percentage for Greater Pt McIntyre is a composite for several fields and will vary with production.